Nortel's sales drop 45%; cuts 20,000 more jobs

After already cutting 30,000 jobs this year, in September **Nortel Networks Corp** (Brampton, Ontario, Canada) cut back by a further 20,000 to 45,000 (less than half the 94,500 at the beginning of 2001). This includes 10,000 through selling off "non-core" operations (companies bought with stock before its share price collapsed).

Nortel posted Q3/2001 sales of US$3.69bn (down 45% on a year ago and 20% on Q2) and a US$3.5bn net loss (down from a record US$19.4bn in Q2). This included US$801m for layoffs and closures, US$223m related to a 50% cut in manufacturing capacity at its photonics components business, and US$750m for obsolete inventory.

"*We're at a bit of a trough in terms of moving from having to downsize to now focus on bringing our new products out*," said president and CEO John Roth (who in November was replaced by chief financial officer Frank A Dunn after in April announcing his intention to retire).

Nortel aims to break even on sales well below US$4bn by Q1/2002.

* Nortel also has a new senior management team (focused on three key areas). It includes:
• Terry Hungle, chief financial officer (formerly President, Finance, for Nortel Networks Americas); and
product presidents:
• Frank Plastina, Metro Networks (formerly President, Service Provider and Corporate Networks);
• Greg Mumford, Optical Long Haul Networks (formerly President, Optical Internet);
• Pascal Debon, Wireless Networks (formerly President, Europe, The Middle East & Africa), replacing Jules Meunier.

Handset component orders pick up

As handset inventories have dropped to the lowest level seen for some time, vendors have noted that market recovery might be seen in Q4/2001 and the growth rate of component sales may exceed 30% in 2002.

Handset makers estimate that inventories may drop to a low of 40m units by end-2001 so they have begun to prepare for new production.

Most handset makers usually roll out new models from September to February, but are more conservative this year. But the launch of GPRS has spurred makers to prepare inventories of new models and order components.

Agere slump slows, while Lucent forecasts December-quarter upturn

For its fiscal Q4 (to end-September) **Agere Systems Inc** (Allentown, PA, USA) made a net loss of $3.35bn (including US$153m for restructuring and US$2.7bn mainly from the acquisition of Ortel Corp in April 2000). Sales were US$600m (down 35% on the June quarter):
• *IC division* US$469m (down 28%);
• *Optoelectronics division* US$131m (down 53%).

December-quarter sales should be down by about 10%.

Parent **Lucent Technologies Inc** (Murray Hill, NJ, USA) has lost US$8.8bn (including US$8bn associated with Agere) on sales of US$5.2bn for its fiscal Q4 (down 28% on a year ago) and US$16.2bn on sales of US$21.4bn for its fiscal year (down 26%).

December-quarter sales should be up, said chairman and CEO Henry Schacht. "*We are seeing early signs of increased customer spending in some segments.*"

JDS expects 10-15% decline in Q4

For its fiscal Q1 (to end-September) **JDS Uniphase Corp** (San Jose, CA, USA) made a loss of $1.2bn (up from US$972m a year ago) on sales of $329 (down 45% on a year ago).

JDS expects December-quarter sales down 10-15% sequentially.

Nokia outsources for first time

Nokia is to outsource cell-phone manufacture for the first time. Hon Hai Precision of Taiwan will produce 200,000 units per month in a deal worth nearly US$170m.

Nokia is also to invest up to US$12bn in new factories near Beijing (Chinese operator China Mobile has ordered Nokia GPRS equipment to extend coverage to all 31 provinces in the country). Nokia has now also unveiled its GPRS handsets (joining Motorola and Ericsson).

* Nokia's Q3/2001 sales were €7.05bn (down 7% on Q3/2000):
• Nokia Networks €1.659bn (down 14%);
• Nokia Mobile Phones €5.269bn (down 3%);
• Nokia Ventures €140m (down 33%).

Wireless infrastructure market to rise from US$99bn to US$120bn by 2004

Spending on infrastructure systems for wireless mobile communications networks will grow from US$99.4bn in 2001 to a peak of US$120.2bn in 2004, before drifting back to US$114.6bn in 2006, says a report from the **Yankee Group** (www.yankeegroup.com).

Most new investments in the next five years will be aimed at overlaying 2.5 and 3G technologies on top of existing cellular networks.

"*It is evident that it* [2.5G and 3G] *is going to be expensive, particularly for operators that are transitioning between generic technologies*," says analyst Phil Marshall. "*However, with the imminent obsolescence of 2G technologies and the promise of next-generation services, operators cannot avoid these costs without the risk of losing market share*".

Most new investments will be aimed at GSM, GPRS and W-CDMA formats, with an increasing amount going to electronics (63% in 2005 compared to 53% in 2001).